

July 1999

UNIFORM REPORTING FORMAT
FOR FINANCIAL STATEMENTS FOR
COUNTIES AND LOCAL UNITS OF GOVERNMENT
IN MICHIGAN

LOCAL AUDIT & FINANCE DIVISION
BUREAU OF LOCAL GOVERNMENT SERVICES

ACKNOWLEDGMENTS:

The following are members of the Michigan Committee on Governmental Accounting and Auditing and serve as an advisory group to the Michigan Department of Treasury in the development of the publication:

Richard L. Baldermann, CPA, CFGM, Administrator – Local Audit and Finance Division, Bureau of Local Government Services, Chairperson

John Bengel, CFE, CFGM, Department of Treasury; Robert C. Bendzinski, Bendzinski & Co.; Donald R. Breadon, CPA, Gaudette & Co.; James G. Buckley, CPA, PricewaterhouseCoopers; Darrell Burks, CPA, PricewaterhouseCoopers; John Cubba, Redford Township; Robert J. Daddow, CPA, Oakland County; Gerald J. Desloover, CPA, Rehmann, Robson & Co.; George M. Elworth, Attorney General; Rana M. Emmons, CPA, Post, Smythe, Lutz and Ziel; Mike Frawley, CPA, Yeo & Yeo; Michael T. Gaffney, CPA, Abraham & Gaffney; Joseph C. Heffernan, CPA, Plante & Moran, LLP; Ernest L. Hodgers, MPA, CFGM, Department of Treasury; Peggy Jury, CPA, Dupuis & Ryden; Janet Lazar, Michigan Municipal League; Brad Niergarth, CPA, Dennis, Gartland & Niergarth; John H. Ogden, CPA, City of Port Huron; Kenneth Parrish, CPA, Kent County; Rick J. Sanborn, CPA, City of Sterling Heights; Susan D. Sanford, CPA, Department of Treasury; Robert Skrobola, Pittsfield Charter Township; Aaron Stevens, City of St. Johns; Michael Styczinski, CPA, Deloitte & Touche; Cary Vaughn, CPA, CFGM, Department of Treasury; Ross J. Wilson, CPA, Maner, Costerisan & Ellis.

Inquiries concerning the publication should be directed to:

Michigan Department of Treasury
Local Audit and Finance Division
430 West Allegan, 4th Floor
Lansing, Michigan 48922
Telephone: (517) 373-3227

The Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan is issued pursuant to the requirements of PA 2 of 1968, as amended, being sections 141.421 to 141.440a of Michigan Compiled Laws and PA 71 of 1919, as amended, being sections 21.44 to 21.55 of Michigan Compiled Laws.

EFFECTIVE DATES

GASB Statement No. 34 (which changes the format of GAAP financial statements) is effective in three phases:

- Phase 1 governments - with total annual revenue of \$100 million or more--periods beginning after June 15, 2001.
- Phase 2 governments - with total annual revenue of \$10 million or more but less than \$100 million--periods beginning after June 15, 2002.
- Phase 3 governments - with total annual revenues of less than \$10 million.

Michigan local units of government that are going to meet all requirements of GASB No. 34 should adhere to the above schedule.

Michigan local units of government that intend to only meet the Michigan Department of Treasury's requirements should implement the Department of Treasury's revised Uniform Reporting Format which will be developed and issued during calendar year 2000.

The Uniform Reporting Format, dated July 1999, is effective to Michigan local units of government through fiscal years ending June 30, 2001 and thereafter in accordance with the GASB No. 34 phase in.

I. INTRODUCTION

Every local governmental unit (including county, city, village, township and authority) should prepare and issue an annual financial report in a format that is easily readable and understandable. The basic source for guidance on the requirements for issuance of this annual financial report is the Governmental Accounting Standards Board (GASB). The Codification of Governmental Accounting and Financial Reporting Standards published by GASB ("Codification") section 1900 discusses the financial reporting pyramid. This section describes the minimum level of external financial reporting as the General Purpose Financial Statements (GPFS), and the most comprehensive level as the Comprehensive Annual Financial Report (CAFR). As discussed in Section III below, the State of Michigan's minimum requirements lie between these two levels of reporting (generally, a GPFS and combining statements by fund type are required and a detailed budget to actual schedule of the General Fund operations at the activity level, but not individual fund statements, a letter of transmittal, or statistical schedules).

In addition to this manual, there are several other documents with which the governmental financial officials must be familiar to adequately prepare an annual financial report for a local unit of government in Michigan. These include:

- The GASB Codification, including Section 2100, *Defining the Reporting Entity*. The entity being reported on **must** include all funds, commissions, and authorities of the local governmental unit (regardless of extraneous facts, such as the U.S. Census Bureau treating an entity as an autonomous agency). Michigan Committee on Governmental Accounting (MCGAA) has issued Statements No. 4 and 5, applying the principals of GASB No. 14 to local units specific to Michigan.
- The *Bulletin for Audits of Local Units of Governments in Michigan* which includes:
 - Guidance on preparing the "Report to the State Treasurer on Auditing Procedures"
 - MCGAA Statements

II. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Because Public Act 2 of 1968 (MCL 141.421 to 141.440a) calls for the establishment of a uniform chart of accounts and uniform reports for local units of government, it is imperative that a consistent set of accounting principles be established and utilized by all local units. To help accomplish this, PA 2 (MCL 141.440a) states that the state treasurer may also publish standard operating procedures and forms for the guidance of local units in establishing and maintaining uniform accounting.

The State Treasurer will generally rely on the national standards for generally accepted accounting principles, as established by the Governmental Accounting Standards Board and set forth in the Codification of Governmental Accounting and Financial Reporting Standards. The Codification:

- requires the modified accrual basis of accounting to be used for all governmental funds, expendable trust funds and agency funds. The full accrual basis is to be used for proprietary funds and similar trust funds.
- states that the budget to actual comparisons should utilize whatever method of accounting was used in preparing the budget (for instance, if the budget was prepared on the cash basis, this would be used in reporting the “actual” column on the budget statement).

Any material deviation from any of the GASB principles must be accompanied by an appropriate opinion from the auditor.

In accordance with the provisions of Public Act 2 of 1968, the State Treasurer will clarify the implementation of the GASB Statements for Michigan local units of government by the issuance of MCGAA Statements.

III. ANNUAL FINANCIAL REPORTS FOR LOCAL UNITS OF GOVERNMENT IN MICHIGAN

The minimum level of financial and other information to be included in the annual financial reports for local units of government in Michigan is as follows:

- A) Auditors’ Report:
- B) General Purpose Financial Statements (defined by the GASB Codification):
 1. Combined Balance Sheet--All Fund Types, Account Groups and Discretely Presented Component Units (Exhibit I).
 2. Combined Statement of Revenues, Expenditures, and Changes in Fund Balance -- All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units (Exhibit II). This statement must be detailed to the major source and function as demonstrated on Exhibit II. As an alternative, this statement may be detailed to the revenue (detailed by source) and activity (by function) level as shown at the end of this section.

3. Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--General, Special Revenue, and Debt Service Fund Types (Exhibit III). This statement must be detailed the same as B) 2. above.
4. Combined Statement of Revenues, Expenses, and Changes in Retained Earnings (or Equity)--All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units (Exhibit IV).
5. Combined Statement of Cash Flows--All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Component Units (Exhibit V).
6. Statement of Changes in Pension Plan Net Assets--Pension Trust Fund (Exhibit VI).
7. Combining Statements--Discretely Presented Component Units (unless presented in summary in the Notes to the Financial Statements). (Exhibit VII)
8. Notes to financial statements.

C) Supplemental Information:

1. Required Supplementary Information (defined by GASB Codification).
2. Additional Information (Combining Statements, and Schedules)--must be audited at least to the extent necessary to state that in the auditors' opinion, the supplemental data is fairly stated in all material respects in relation to the combined statements.
 - a. Statement of Revenue and Other Sources--Budget and Actual--General Fund and Statement of Expenditures and Other Uses--Budget and Actual--General Fund. These statements must be detailed to the revenue and activity level as shown in the Uniform Accounting Procedures Manual for Local Units of Government in Michigan. If the detailed revenue and activity level is presented in the combined statement (B) 2.), these statements are not required.

- b. Combining Statements--By Fund Type (and discretely presented component units if not in B) 6. above)--where a governmental unit has more than one fund of a given fund type (Exhibits VIII and IX). All funds of a fund type must be shown in the financial statements. Where the number of funds is excessive or other problems are apparent, contact Local Audit and Finance Division for prior written approval of alternative presentation. Where a governmental unit has only one fund of a given type, disclosure of this as a reason for not presenting a combining statement should be included in the notes to the financial statements or as a heading on the statement. The Local Audit and Finance Division does not require budgetary comparisons by individual fund. However, if the local unit requires them, they must be presented.
 - c. Agency Funds (Exhibit X) Combining Statement of Changes in Assets and Liabilities--All Agency Funds (Not Required).
 - d. Schedules--Schedule of Indebtedness (Exhibit XI) should be presented for each debt issued, if sufficient details are not presented in the footnotes as herein described.
- 3. Classification of Fund Type--All funds must be presented in the fund type in accordance with the Uniform Chart of Accounts for Local Units of Government in Michigan.
 - 4. Classification of Revenues and Expenditures--Revenues must be presented by function in accordance with the Uniform Chart of Accounts for Local Units of Government in Michigan. Expenditures must be presented by activity in accordance with the Uniform Chart of Accounts for Local Units of Government in Michigan.

**Required Financial Statement Format
Uniform Chart of Accounts
Uniform Reporting Format**

Combined Statements	Combining Statements
Revenue Taxes Licenses and Permits Federal Grants State Grants Contributions From Local Units Charges for Services Fines and Forfeits Interest and Rents Other Debt Proceeds Transfers In	Revenue Taxes Current Taxes Income Taxes Penalties and Interest on Taxes Property Tax Administration Fee Other Tax Revenue as Necessary Licenses and Permits License and Permit Revenue as Necessary Federal Grants Federal Grant Revenue as Necessary State Grants State Grant Revenue as Necessary Contributions From Local Units Local Unit Revenue as Necessary Charges for Services Charges Revenue as Necessary Fines and Forfeits Revenue as Necessary Interest and Rents Revenue as Necessary Other Revenue as Necessary Debt Proceeds Transfers In Identified by Fund

**Required Financial Statement Format
Uniform Chart of Accounts
Uniform Reporting Format**

Combined Statements	Combining Statements
<p>Expenditures</p> <ul style="list-style-type: none"> Legislative Judicial General Government Public Safety Public Works Health and Welfare Recreation and Culture Other Capital Outlay Debt Service Transfers Out 	<p>Expenditures</p> <ul style="list-style-type: none"> Legislative <ul style="list-style-type: none"> City Council Judicial <ul style="list-style-type: none"> District Court General Government <ul style="list-style-type: none"> Mayor Elections Other Activities as Needed Cemetery Public Safety <ul style="list-style-type: none"> Police Fire Public Works <ul style="list-style-type: none"> DPW Street Expenditure Categories as Needed Airport Recreation and Culture <ul style="list-style-type: none"> Parks Library Other <ul style="list-style-type: none"> Insurance Capital Outlay Debt Service <ul style="list-style-type: none"> Principal Interest Transfers Out <ul style="list-style-type: none"> Identified by Fund

Local Governmental Unit Combined Balance Sheet All Fund Types and Account Groups and Discretely Presented Component Units December 31, 19XX											Exhibit I	
	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Primary Government	Component Unit	Reporting Entity
<u>Assets</u>												
Cash												
Cash Equivalents												
Investments												
Receivables												
Taxes--Current												
Taxes--Delinquent												
Accounts (Net of Estimated												
Uncollectibles)												
Land Contract												
Special Assessments												
Due From State												
Due From Local Units												
Due From Other Funds												
Due From Component Unit												
Due From Primary Government												
Long-Term Advances to												
Other Funds												
Inventories												
Deferred Charges												
Fixed Assets (Net Where												
Applicable of Accumulated												
Depreciation)												
Amount Available in Debt												
Service Funds												
Amount to be Provided for												
Retirement of General												
Long-Term Debt												
Total Assets												

Local Governmental Unit Combined Balance Sheet All Fund Types, Account Groups, and Discretely Presented Component Units December 31, 19XX										Exhibit I (Continued)		
	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	Primary Government	Component Unit	Reporting Entity
<u>Liabilities and Fund Equity</u> Liabilities Accounts Payable Accrued Liabilities Due to Other Funds Due to Component Units Due to Primary Government Due to State Undistributed Tax Collections Advance From Other Funds Deferred Revenue Bonds Payable Notes Payable Contract Payable Employee Benefits Payable Other Obligations Total Liabilities Fund Equity Contributed Capital Investment in Fixed Assets Retained Earnings Reserved Unreserved Fund Balances Reserved Deferred Compensation Unreserved Designated Undesignated Total Fund Equity												
Total Liabilities and Fund Equity												
The Notes to Financial Statements are an integral part of this statement.												

Local Governmental Unit							Exhibit II	
Combined Statement of Revenues, Expenditures and Changes in Fund Balances								
All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Component Units								
Year Ended December 31, 19XX								
	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government	Discrete Component Units	Reporting Entity
Revenues								
Taxes and Penalties								
Licenses and Permits								
Federal Grants								
State Grants								
Contributions From Local Units								
Charges for Services								
Fines and Forfeits								
Interest and Rentals								
Other Revenue								
Total Revenues								
Expenditures								
Current								
Legislative								
Judicial								
General Government								
Public Safety								
Public Works								
Health and Welfare								
Recreation and Cultural								
Other								
Capital Outlay								
Debt Service								
Principal								
Interest and Fiscal Charges								
Total Expenditures								
Excess of Revenues Over (Under) Expenditures								
Other Financing Sources (Uses)								
Component Unit								
Operating Transfers In								
Operating Transfers (Out)								
Primary Government								
Operating Transfers In								
Operating Transfers (Out)								
Proceeds From Installment								
Purchase Agreement								
Bond Proceeds								
Total Other Financing Sources (Uses)								
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses								
Fund Balance--January 1, 19XX								
Residual Equity Transfers In								
Residual Equity Transfers (Out)								
Fund Balance--December 31, 19XX								
The Notes to Financial Statements are in integral part of this statement.								

Local Governmental Unit Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual--General Fund, Special Revenue and Debt Service Funds--Primary Government For the Year Ended December 31, 19XX							Exhibit III
	General Fund			Special Revenue Funds			
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	
Revenues							
Taxes and Penalties							
Licenses and Permits							
Federal Grants							
State Grants							
Charges for Services							
Fines and Forfeits							
Interest and Rentals							
Other Revenues							
Total Revenues							
Expenditures							
Current							
Legislative							
Judicial							
General Government							
Public Safety							
Public Works							
Health and Welfare							
Recreation and Cultural							
Other							
Capital Outlay							
Debt Payments							
Principal							
Interest and Fiscal Charges							
Total Expenditures							
Other Financing Sources (Uses)							
Operating Transfers In							
Operating Transfers (Out)							
Bond Proceeds							
Total Other Financing Sources (Uses)							
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Fund Balance--January 1, 19XX							
Residual Equity Transfers In							
Residual Equity Transfers (Out)							
Fund Balance--December 31, 19XX							

Local Governmental Unit Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual--General Fund, Special Revenue and Debt Service Funds--Primary Government For the Year Ended December 31, 19XX						Exhibit III (Continued)	
			Debt Service Fund		TOTAL (MEMORANDUM ONLY)		
			Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Variance Favorable (Unfavorable)
Revenues							
Taxes and Penalties							
Licenses and Permits							
Federal Grants							
State Grants							
Charges for Services							
Fines and Forfeits							
Interest and Rentals							
Other Revenues							
Total Revenues							
Expenditures							
Current							
Legislative							
Judicial							
General Government							
Public Safety							
Public Works							
Health and Welfare							
Recreation and Cultural							
Other							
Capital Outlay							
Debt Payments							
Principal							
Interest and Fiscal Charges							
Total Expenditures							
Other Financing Sources (Uses)							
Operating Transfers In							
Operating Transfers (Out)							
Bond Proceeds							
Total Other Financing Sources (Uses)							
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses							
Fund Balance--January 1, 19XX							
Residual Equity Transfers In							
Residual Equity Transfers (Out)							
Fund Balance--December 31, 19XX							

The Notes to Financial Statements are an integral part of this statement.

*Optional Total Column

Local Governmental Unit Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance Proprietary Fund Types and Similar Trust Fund and Discretely Presented Component Units For the Year Ended December 31, 19XX					Exhibit IV	
	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)		Total (Memorandum Only)
	Enterprise	Internal Service	Non- Expendable Trust	Primary Government	Discrete Component Units	Reporting Entity
Operating Revenues						
Interest and Penalties on Taxes						
Charges for Services						
Other Operating Revenue						
Total Operating Revenues						
Operating Expenses						
Administration						
Salaries and Supplies						
Fringe Benefits						
Materials and Supplies						
Contractual Services						
Depreciation						
Other						
Total Operating Expenses						
Operating Income						
Nonoperating Revenues (Expenses)						
Interest Earned on Investments						
Interest Expense						
Contributions/Donations						
Operating Grants						
Other						
Total Nonoperating Revenues (Expenses)						
Income Before Operating Transfers						
Operating Transfers From						
Primary Government						
Component Units						
Net Income						
Retained Earnings/Fund Balance						
January 1, 19XX						
Residual Transfers In						
Residual Transfers (Out)						
Retained Earnings/Fund Balance						
December 31, 19XX						

The Notes to Financial Statements are in integral part of this statement.

Local Governmental Unit Combined Statement of Cash Flows--All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units Increase (Decrease) in Cash and Cash Equivalents For the Year Ended December 31, 19XX					Exhibit V	
	Proprietary Fund Types	Fiduciary Fund Type	Total (Memorandum Only)		Total (Memorandum Only)	
	Enterprise	Internal Service	Non- Expendable Trust	Primary Government	Discrete Component Units	Reporting Entity
Cash Flows From Operating Activities						
Cash Charges for Services						
Interest and Penalties on Taxes						
Delinquent Taxes Purchased						
Delinquent Taxes Collected						
Other Operating Revenue						
Administrative Costs						
Cash Payments to Employees for Services						
and Cash Payments to Suppliers for						
Goods and Services						
Other Expenses						
Net Cash Provided by Operating Activities						
Cash Flows From Noncapital Financing Activities						
Transfers In						
Transfers (Out)						
Net Cash Provided by Noncapital Financing Activities						
Cash Flows From Capital and Related						
Financing Activities						
Acquisition of Capital Assets						
Disposal of Fixed Assets						
Proceeds From Issuance of Bonds						
Principal Paid on Bonds						
Interest Paid on Bonds						
Net Cash Provided by Capital and Related						
Financing Activities						
Cash Flows From Investing Activities						
Interest on Cash Equivalents						
Net Cash Provided by Investing Activities						
Net Increase in Cash and Cash Equivalents						
Cash and Cash Equivalents at						
January 1, 19XX						
Cash and Cash Equivalents at						
December 31, 19XX						

Local Governmental Unit Combined Statement of Cash Flows--All Proprietary Fund Types, Similar Trust Funds and Discretely Presented Component Units Increase (Decrease) in Cash and Cash Equivalents For the Year Ended December 31, 19XX					Exhibit V (Continued)	
	Proprietary Fund Types	Fiduciary Fund Type	Total (Memorandum Only)		Total (Memorandum Only)	
	Enterprise	Internal Service	Non- Expendable Trust	Primary Government	Discrete Component Units	Reporting Entity
Reconciliation of Operating Income to Net Cash Provided by Operating Activities Operating Income (Loss)						
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities Depreciation Decrease (Increase) in Accounts Receivable Decrease (Increase) in Prepaid Assets Decrease (Increase) in Delinquent Taxes Receivable Increase (Decrease) in Accounts Payable Increase (Decrease) in Accrued Wages Payable Increase (Decrease) in Other Accrued Liabilities Increase ((Decrease) in Due to State/Federal Increase (Decrease) in Due to Employees Increase (Decrease) in Due to Other Units						
Net Cash Provided by Operating Activities						

The Notes to Financial Statements are in integral part of this statement.

(Informational Note - Noncash transactions should be described at the bottom of the statement, such as: borrowings under a capital leasing transaction).

Local Governmental Unit	Exhibit VI
Statement of Changes in Pension Plan Net Assets	
For the Year Ended December 31, 19X1	
Additions	
Contributions	
Employer	
Employer Long-Term	
Plan Member	
Total Contributions	
Investment Income	
Net Appreciation (Depreciation)	
In Fair Value of Investments	
Interest	
Dividends	
Real Estate Operating Income, Net	
Less: Investment Expense	
Net Investment Income	
Total Additions	
Deductions	
Benefits	
Refunds of Contributions	
Administrative Expense	
Total Deductions	
Net Increase	
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	
End of Year	

The Notes to the Financial Statements are an integral part of this statement.

Local Governmental Unit Combining Balance Sheet--Component Units December 31, 19XX						Exhibit VII
	Road Commission	Mental Health	Industrial Park	Ambulance Corporation	Sportsplex	Total
<u>Assets</u>						
Cash and Cash Equivalents						
Investments						
Taxes Receivable						
Accounts Receivable						
Net of Estimated Uncollectibles						
Due From State of Michigan						
Due From Local Units						
Total Assets						
<u>Liabilities and Fund Equity</u>						
Liabilities						
Accounts Payable						
Accrued Liabilities						
Due to Primary Government						
Advances From State						
Advances From Other Counties						
Deferred Revenue						
Total Liabilities						
Fund Equity (Deficit)						
Reserved						
Unreserved						
Designated						
Undesignated						
Total Fund Equity						
Total Liabilities and Fund Equity						

(Informational Note: The "combining" balance sheets for component units where more than one fund is present would normally go in front of the footnotes to the general purpose financial statements.)

Local Governmental Unit Combining Balance Sheet--Special Revenue Funds December 31, 19XX						Exhibit VIII
	Parks & Recreation	Emergency Medical Service	Friend of the Court	Central Dispatch E-911	Family Independence Agency	Total
<u>Assets</u>						
Cash and Cash Equivalents						
Investments						
Taxes Receivable						
Accounts Receivable						
Net of Estimated Uncollectibles						
Due From State of Michigan						
Due From Local Units						
Total Assets						
<u>Liabilities and Fund Equity</u>						
Liabilities						
Accounts Payable						
Accrued Liabilities						
Due to State						
Advances From State						
Advances From Other Counties						
Deferred Revenue						
Total Liabilities						
Fund Equity (Deficit)						
Reserved						
Unreserved						
Designated						
Undesignated						
Total Fund Equity						
Total Liabilities and Fund Equity						

(Informational Note: The "combining" balance sheets for funds types where more than one fund is present would normally follow the footnotes to the general purpose financial statements.)

Local Governmental Unit Combining Statement of Revenues, Expenditures and Changes in Fund Balance--Special Revenue Funds For the Year Ended December 31, 19XX							Exhibit IX
	Parks & Recreation	Emergency Medical Service	Friend of the Court	Central Dispatch E-911	Family Independence Agency	Total	
Revenues Taxes Licenses and Permits Federal Grants State Grants Charges for Services Fines and Forfeits Interest and Rentals Other							
Total Revenues							
Expenditures Current Judicial General Government Public Safety Public Works Health and Welfare Recreation and Cultural Other Capital Outlay							
Total Expenditures							
Excess of Revenues Over (Under) Expenditures							
Other Financing Sources (Uses) Operating Transfers In Operating Transfers (Out)							
Total Other Financing Sources (Uses)							
Excess of Revenues and other Sources Over (Under) Expenditures and Other Uses							
Fund Balance (Deficit)--January 1, 19XX							
Fund Balance (Deficit)--December 31, 19XX							

(Informational Note: The "combining" statements of revenue, expenditures (expenses) and changes in fund balances (retained earnings) for funds types where more than one fund is present would normally follow the footnotes to the general purpose financial statements.)

Local Governmental Unit Combining Statement of Changes in Assets and Liabilities--All Agency Funds For the Year Ended December 31, 19XX				Exhibit X
	Balance 01/01/XX	Additions	Deductions	Balance 12/31/XX
<u>TRUST AND AGENCY</u>				
Assets				
Cash and Cash Equivalents				
Taxes Receivable				
Total Assets				
Liabilities				
Due to Other Funds				
Due to Townships				
Due to State of Michigan				
Due to Federal Government				
Due to Schools and Colleges				
Undistributed Tax Collections				
Other Liabilities				
Total Liabilities				

Local Governmental Unit Schedule of Indebtedness December 31, 19XX							Exhibit XI
	Date of Issue	Amount of Issue	Interest Rate	Date of Maturity	12/31/X8	12/31/X9	Annual Interest Payable
Lake Debt	01/01/XX	\$910,000					
33-42			5.00%	11/01/X9	\$50,000		
43-52			4.75	11/01/X0	50,000	\$50,000	\$34,888
53-62			4.75	11/01/X1	50,000	50,000	32,396
63-72			4.75	11/01/X2	50,000	50,000	29,904
37-87			4.75	11/01/X3	75,000	75,000	27,412
88-97			4.75	11/01/X4	50,000	50,000	23,674
98-112			4.90	11/01/X5	75,000	75,000	21,182
113-127			4.90	11/01/X6	75,000	75,000	17,444
128-142			5.00	11/01/X7	75,000	75,000	13,706
143-157			5.10	11/01/X8	75,000	75,000	9,968
158-167			5.20	11/01/X9	50,000	50,000	6,230
168-172			5.30	11/01/10	25,000	25,000	3,738
173-177			5.30	11/01/11	25,000	25,000	2,492
178-182			5.30	11/01/12	25,000	25,000	1,246
Total Lake Debt					\$750,000	\$700,000	\$224,280
Bond number information is optional. Any called bonds must be disclosed.							

(Informational Note: If the above information is presented in the Notes to the Financial Statements as illustrated on pages 50 and 51, separate Schedules of Indebtedness are not required.)

FOOTNOTE INDEX

<u>Note #</u>	<u>Topic</u>	<u>When Used</u>
1	Summary of Significant Accounting Policies	All situations. (Includes: Reporting Entity, Basis of Presentation, Measurement Focus, Basis of Accounting, Budget and Budgetary Accounting, Assets, Liabilities & Fund Equity, Total column on the Combined Statements-Overview.
2	Legal Compliance	Required when there are violations of State statutes, ordinances, resolutions, bond covenants, unfavorable variances at the budgetary legal level of control, etc. Describes the budget process and other pertinent budgetary matters if not shown as part of the Summary of Significant Accounting Policies . Noncompliance with Uniform Chart of Accounts, Noncompliance with credit card policy, and Failure to adopt investment policy.
3	Deposits and Investments	All situations (unless the entity has no cash either on deposit or invested)
4	Fixed Assets	All situations (unless there are no capital assets recorded).
5	Leased Property Under Capital Leases	When the local governmental unit has capital leases.
6	Operating Leases	When the local governmental unit has significant, noncancelable long-term operating leases.
7	Interfund Receivables	Most situations except those with no "Due From's" and Payables or "Due To's" recorded on the balance sheet. An exception would be where individual "Due From's" and "Due to's" are reported directly on the balance sheet.
8	Long-Term Debt	All situations where long-term debt is outstanding. Each debt issue must be detailed in the note as noted on pages 49 and 50 or included as an additional schedule of indebtedness as referenced on page 18.
9	Deferred Compensation	When the municipality participates in a plan under the provisions of IRC Section 457.

(Informational Note: The above table is provided as a reference to the enclosed notes. This table is not a requirement for purposes of the GPFS).

<u>Note #</u>	<u>Topic</u>	<u>When Used</u>
10	Employee Retirement Benefit Systems	When the local governmental unit offers a defined benefit retirement plan, defined contribution retirement plan, and/or post-employment benefit. The GASB has recently issued three Statements (Nos. 25, 26, and 27) that fundamentally changes the content of this footnote. Reference should be made to these GASB Statements as to the effective dates and content.
11	Contingencies	Lawsuits that fit the disclosure requirements of FASB #5, environmental cleanup costs or other contingencies.
12	Landfill Closure and Post-Closure Costs	All situations where the local governmental unit owns and operates a landfill.
13	Risk Management	All situations.
14	Equity	When fund balance has been reserved or designated (except for pension fund reserves, disclosed in Note 10). When there are proprietary funds with contributed capital in order to disclose the source of capital.
15	Segment Information for Enterprise Funds	When there is more than one Enterprise Fund.
16	Subsequent Events	When a significant event/transaction occurs after the period presented such as the issuance of bonds, casualty losses, etc.
17	Accounting Changes	<ul style="list-style-type: none"> - Fund reclassifications - Correction of prior period errors - Changes in accounting principles
18	Transfers In Transfers (Out)	Interfund transfers are legally authorized transfers from a fund receiving revenue to the fund through which the resources are to be expended.
If the "transfers in" do not equal the "transfers (out)," an explanatory note is required.		

(Informational Note: The above table is provided as a reference to the enclosed notes. This table is not a requirement for purposes of the GPFS.)

<u>Note #</u>	<u>Topic</u>	<u>When Used</u>
19	Related Party Transactions	FASB General Standards R36.102 states: "Financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those financial statements."
20	Commitments	Required only when there are major outstanding contracts and/or commitments.
Required Supplemental Information (Optional)		Year 2000 Issues as defined by GASB Technical Bulletin 99-1 or in the notes to the financial statements.

(Informational Note: The above table is provided as a reference to the enclosed notes. This table is not a requirement for purposes of the GPFS.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Local Governmental Unit conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

A. REPORTING ENTITY

The Local Governmental Unit is governed by an elected seven-member council (board). As required by GAAP, these financial statements present the Local Governmental Unit and its component units. In evaluating how to define the Local Governmental Unit for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity."*

The individual component units discussed below are included in the Local Governmental Unit's reporting entity because of the significance of their operational or financial relationships with the Local Governmental Unit. (Alternative: In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements).

BLENDED COMPONENT UNITS

A blended component unit is a legally separate entity from the Local Governmental Unit, but is so intertwined with the Unit that it is, in substance, the same as the Local Governmental Unit. It is reported as part of the Local Governmental Unit and blended into the appropriate fund types and account groups.

(Informational Note: The following are examples of blended and/or discretely presented component units, which may be included in the notes to the financial statements depending on the circumstance.)

Building Authority--The Local Governmental Unit Building Authority is governed by a three member board appointed by the Local Governmental Unit's governing body. Although it is legally separate from the Local Governmental Unit, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the Local Governmental Unit's public buildings.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Public Transit Corporation--The Transit Corporation was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, (MCL 450.98) and Public Act 284 of 1972, as amended, (MCL 450.1108). The Transit Corporation is not legally separate, but is administered by an 8 member board elected by a majority of the seated board members present and voting. The Transit Board may not issue debt and the tax levy is subject to county board of commissioners approval. The transit taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County's total tax levy and are reported in the Public Transit Corporation Fund. The fiscal year of the Transit Corporation is October 1 through September 30.

Housing Commission--The Housing Commission was created on March 17, 1975 in the State of Michigan, under the provisions of Public Act 18 of the Extra Session of 1933, as amended, (MCL 125.651 through 125.709e). The Housing Commission is administered by a 5 member board appointed by the county board of commissioners. Although it is legally separate from the County, the Housing Commission is reported as if it were part of the primary government because its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County. The county board of commissioners approves all grants received by the Housing Commission.

Yahoo Region Substance Abuse Agency--Any county, in conjunction with four (4) other counties, has entered into an agreement which created the Yahoo Region Substance Abuse Agency. This organization's board is composed solely of the county board of commissioners who handle all oversight functions of the Agency. The County's financial responsibility is to pass through 50% of the convention and tourism revenues received to the Agency. For the year ended December 31, 199X, the County passed through \$29,703.

DISCRETELY PRESENTED COMPONENT UNITS

The following component units are reported within the "component units" column in the combined financial statements. The discretely presented component unit is an entity that is legally separate from the Local Governmental Unit, but for which the Unit is financially accountable, or its relationship with the Unit is such that exclusion would cause the Unit's financial statements to be misleading or incomplete.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Downtown Development Authority--The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 5 members, is selected by the Local Governmental Unit's Council (board). In addition, the Authority's budget is subject to approval by the Local Governmental Unit's Council (board).

Road Commission--The County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an appointed 3 member board of county road commissioners. The Road Commission may not issue debt or levy a tax without the approval of the county board of commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as a part of the County total tax levy as well as reported in the County Road Fund.

Economic Development Corporation--The Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974 (MCL 125.1601 through 125.1636), as amended, is governed by a 9 member board of directors appointed by the Local Governmental Unit Council (board). The EDC may not issue debt without the Local Governmental Units Council (board) approval and administers a significant amount of federal economic development grant money received by the Local Governmental Unit Council (board).

County Drain Commission--Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage board of Chapter 20 (MCL 280.461 et seq.) drainage districts consists of the drain commissioners, the chairperson of the county board of commissioners, and one other member of the board of commissioners. The statutory drainage board of Chapter 5 (MCL 280.101 et seq.) and Chapter 6 (MCL 280.121 et seq.) drainage districts consists of the State Director of Agriculture and the drain commissioners of each county involved in the project. The county drain commissioner has sole responsibility to administer the drainage district established pursuant to Chapter 3 (MCL 280.51 et seq.) and Chapter 4 (MCL 280.71 et seq.) of the Drain Code.

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The drainage board or drain commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the county board of commissioners. The full faith and credit of the county may be given for the debt of the drainage district. There is created for each project petitioned for under the provisions of the Chapter 21 (MCL 280.511 et seq.) drainage districts, an augmented drainage board to consist of the members of the drainage board together with the chairman of the board of supervisors and the chairman of the board of county auditors of each county involved. The statutory drainage board of Chapter 8 (MCL 280.191 et seq.) drainage districts consists of the Drain Commissioner, the State Director of Agriculture, and the commissioners of each county involved.

Ice Arena and Swimming Pool--The County constructed an ice arena and swimming pool facility in 19XX. The county board of commissioners has determined that the most effective and efficient means of operating the facility is to contract with ABC Hockey and Swimming Company, a private non-profit corporation whose sole purpose is to operate that facility.

Department of Public Works--Pursuant to Michigan Compiled Law 123.732, the County entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a board of public works which includes the county drain commissioner. The board of public works is considered an agency of the County. The board manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the County Board of Commissioners. The financial statements for the Department of Public Works are presented as part of Exhibits A, B, F and G.

District Health Department--(Example of disclosure of jointly operated functions when the local unit's treasurer holds the funds of the organization and the organization is reported in the entity's financial statements except as noted in the second paragraph.) The Sample/ABC/XYZ District Health Department is a multi-county agency between Sample, ABC, and XYZ Counties established to provide public health services. The District Health Board has representatives from each County and provides services to Sample, ABC and XYZ Counties.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each county provides annual appropriations and passes through the statutory amounts of cigarette tax funding to subsidize operations. The current funding formula approved by the District Health Board requires Sample, ABC and XYZ Counties to provide 29, 30, and 41 percent, respectively. These annual operating appropriations and the rental of space demonstrate financial accountability to the County to house their operations. In addition, the treasury functions for the District Health Department rests with the Sample County Treasurer. For this reason, the District Health Department is discretely presented in the Sample County financial statements.

The Sample/ABC/XYZ District Health Department does not issue separate financial statements. Combining component unit statements are included as part of these general purpose financial statements to summarize all the funds and the account group of the District Health Department.

OR

(Example of footnote disclosures of jointly operated functions when the local unit's treasurer does not hold the cash and investments)

ABC County participates jointly with Sample and XYZ Counties in the operation of Sample/ABC/XYZ District Health Department. All of the financial operations of the District Health Department are recorded in the records of Sample County. The funding formula approved by the members of the Local Units is based pro rata on each unit's population and equalized valuation to the total population and valuation. The current funding formula approved by the District Health Board requires Sample, ABC and XYZ Counties to provide 29, 30, and 41 percent, respectively. ABC County's appropriation to the District Health Department for the calendar year was \$XXX, XXX, which consists of \$XXX, XXX funding formula and \$X, XXX cigarette tax.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the Clerk's Office:

County Road Commission
555 East Garfield Avenue
Any Town, MI XXXXX

Drain Commission
234 Main Street
Any Town, MI XXXXX

Public Transit Corporation
319 South Clay Street
Any Town, MI XXXXX

Economic Development Corporation
First Floor, Courthouse
Any Town, MI XXXXX

ABC Hockey and Swimming Company
123 Main Street
Any Town, MI XXXXX

District Health Department
3900 East Sample Road
Sample, Michigan 49022

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Informational Note: If there are any organizations for which the primary government appoints a voting majority, but the entity is excluded because of a lack of financial accountability, the notes must disclose the nature of the primary government's accountability. The notes must disclose which primary government IS financially accountable for the entity, and the Local Governmental Unit's relationship with this primary government. In addition, the notes should disclose any related party transactions).

(Informational Note: Joint ventures only include those organizations in which the participants retain either an on-going financial interest or an on-going financial responsibility. Include a general description of each joint venture, including:

1. Description of the participating government's on-going financial interest (including its equity interest, if applicable) or on-going financial responsibility. This disclosure should also include information to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or a burden on the participating government in the future.
2. Disclosure of any related party transactions.
3. Information about the availability of separate financial statements of the joint venture.
4. If there is an equity interest, the investment in the joint venture should be recorded (total equity interest, less any portion that is already recorded on the balance sheet, such as an account receivable or payable). For a proprietary fund, the investment is recorded on its balance sheet; for a governmental fund, it is to be recorded in the general fixed assets account group.

For example:

The Local Governmental Unit is a member of the ABC Joint Venture, which provides health services to the residents of the Local Governmental Unit and _____ Units. The participating communities provide annual funding for its operations. During the current year, the Local Governmental Unit contributed approximately \$XXX,XXX for its operations. The Local Governmental Unit is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the year ended December 31, 19XX can be obtained from the administrative offices at: (street, address, city, and state).

JOINT VENTURE

Michigan Planning Commission--The Local Unit, in conjunction with four (4) other Counties, has entered into an agreement which created the Michigan Planning Commission. The Planning Commission's board is composed of 12 members, of which the County appoints one (1). The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended December 31, 19XX, the County's contribution to the Planning Commission was \$10,000.

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint Workforce Development--The Local County Unit, in conjunction with two (2) other Counties, has entered into a Joint Workforce Development Agreement for purposes of detailing and designating functions and responsibilities related to administration of job training and workforce development programs. Another agreement was also entered into to establish the Chief Elected Officials Board (CEOB), for which County appoints two (2) of the seven (7) members, and also the Private Industry Council/Workforce Development Board (PIC/WDB), who are appointed by the CEOB. These agreements also designate the County Intermediate School District as "grant recipient and administrative entity" for operation of these programs. The School District receives all related funding from State and Federal grants and, as a result, the County has no financial responsibility. The School District is also fully responsible and indemnifies the County from potential liability for disallowed costs.

Joint Building Authority of Sample County--The County and City of ABC under Public Act 31 of 1948 (first extra session), as amended, in 1966 (MCL 123.951 through MCL 123.965) created the Local County Unit Joint Building Authority. Its primary purpose was to provide a funding vehicle for the acquisition and construction of a building to serve as offices for the governmental units. The Joint Building Authority operates autonomously under an intergovernmental lease and service agreement. It operates and maintains the building for the governmental units charging maintenance fees to each unit. Maintenance fees paid by the County to the Joint Building Authority amounted to \$109,742 and \$16,782 for equipment. The fees are based on a pro ration of space by unit for the building, which is 83% for the County and 17% for the ABC City. The separately issued financial statements can be obtained at City Joint Building Authority, 123 Main Street, Any Town, Michigan XXXXX.

RELATED ORGANIZATIONS

District Library--The Local County Unit in conjunction with the ABC City entered into an agreement to create the ABC District Library. The District Library is a legally separate organization established to provide library services to residents of the County. On August 19XX, voters approved a special millage to fund the District Library.

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District Library consists of the entire geographic area of the County. It is governed by a seven (7) member board, two (2) appointed by the City and five (5) appointed by the County. The County's accountability does not extend beyond this representation and making these appointments. The board is empowered to propose and levy upon approval of the electors a tax for support of the District Library. It may also borrow money and issue bonds pursuant to the District Library Financing Act 265 of 1988 (MCL 397.281 et seq.). The District Library indemnifies and holds harmless the participating municipalities from all claims and liabilities. The County does levy a tax for the District Library; however, the County does not hold title to any of the District Library's assets, nor does it have rights to any surpluses or responsibility to finance any deficits of the District Library.

B. BASIS OF PRESENTATION

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained, consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Local Governmental Unit are recorded in separate funds and account groups, categorized as follows:

GOVERNMENTAL FUNDS

General Fund--This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general Local Governmental Unit governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the Local Governmental Unit.

Special Revenue Funds--These funds are used to account for specific revenue sources (other than expendable trusts or major capital projects), generally derived from State and Federal grants, General Fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory, or administrative requirements.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Funds--These funds are used to record revenues which are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group, including payments made in connection with the Local Governmental Unit's administration building under a lease-purchase agreement with the Local Governmental Unit Building Authority.

Capital Projects Funds--These funds are used to account for the acquisition or construction of major facilities other than those financed by proprietary fund operations.

PROPRIETARY FUNDS

Enterprise Funds--These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or, (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds--These funds account for the financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units on a cost-reimbursement basis or for the purchase of delinquent real property taxes from local units of government.

FIDUCIARY FUNDS

Trust and Agency Funds--These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These funds include: Expendable Trust, Nonexpendable Trust, Pension Trust, and Agency Funds.

ACCOUNT GROUPS

General Fixed Assets--This account group presents the fixed assets of the Local Governmental Unit utilized in its operations, other than those fixed assets recorded in proprietary and trust funds.

General Long-Term Debt--This account group presents the balance of general obligation long-term debt, which is not recorded in proprietary and trust funds.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The governmental fund types (General, Special Revenue, Debt Service and Capital Projects Funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. The expendable trust and agency funds also use the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

The proprietary fund types (Enterprise and Internal Service Funds) are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. Pension Trust and Nonexpendable Trust Funds also use the accrual basis of accounting.

(Informational Note: References should be made to the treatment of GASB and Financial Accounting Standards Board (FASB) pronouncements. A suggested statement follows: "The Local Governmental Unit applies all GASB pronouncements as well as the FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.")

Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with maturity of three months or less when acquired are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value based on quoted market prices. Pooled investment income from the following funds is generally allocated to the Local Governmental Unit's General Fund:

- * Health Fund
- * Mental Health Fund

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(Informational Note: In the event that the governmental unit has investments maintained in governmental funds with maturities in excess of one year, consult GASB Statement No. 31 for guidance.)

Inventory

Inventories in the General and Enterprise Funds are valued at cost, on a first-in, first-out basis, which approximates market value. General Fund equity has been reserved equal to the inventory balance.

Taxes Receivable--Current

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 19XX ad valorem tax is levied and collectible on December 1, 19XX, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy. **(Informational Note: See MCGAA Statement No, 3 for guidance in completing this revenue recognition policy.)**

The 19XX taxable valuation of the Local Governmental Unit totaled \$XX.X million, on which ad valorem taxes levied consisted of X.XXXX mills for the Local Governmental Unit operating purposes, X.XXXX mills for ambulance services, X.XXXX mills for debt service, raising \$XX.X million for operating, \$X.X million for ambulance services, and \$X.X million for debt service. These amounts are recognized in the respective General, Special Revenue and Debt Service Fund financial statements as taxes receivable-current, with an offsetting credit to deferred revenue.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivables

At December 31, 19XX, the accounts receivables for the primary government were as follows:

	<u>Total Accounts Receivable</u>	<u>Allowance For Uncollectibles</u>	<u>Net Accounts Receivable</u>	<u>Deferred Revenue</u>
General Fund	\$XX,XXX	\$ XXX	\$XX,XXX	\$XX,XXX
Special Revenue Funds				
Community Services	X,XXX		X,XXX	
Family Independence	XX,XXX	XX,XXX	X,XXX	X,XXX
Internal Service Funds				
Delinquent Tax				
Revolving Fund	XX,XXX		XX,XXX	
Enterprise Funds				
Water Fund	XX,XXX		XX,XXX	
Sewer Fund	<u>XX,XXX</u>	<u> </u>	<u>XX,XXX</u>	<u> </u>
	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>	<u>\$XX,XXX</u>

(Informational Note: The note disclosure should include an identification of the gross receivables by individual fund, a description of each receivable, allowance for uncollectibles accounts where applicable, net accounts receivable and deferred revenue, if applicable. Also, describe the allowance for uncollectible policy.)

Taxes Receivable--Delinquent

The taxes receivable delinquent in the amount of \$XXX,XXX recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 19XX. The delinquent property taxes receivable may be summarized as follows:

19X1	\$ XX,XXX
19X2	XX,XXX
19X3	<u>XX,XXX</u>
Total	<u>\$XXX,XXX</u>

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

Fixed assets of all funds and component units are stated at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Governmental funds' fixed assets are recorded in the general fixed assets account group and are not depreciated.

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain "Infrastructure" general fixed assets consisting of certain improvements other than buildings, including roads, curbs, and gutters, streets and sidewalks, drainage systems, and lighting systems, are not recorded. Proprietary funds and similar component unit fixed assets are recorded in the respective fund or component unit and depreciated using the straight-line method. Estimated useful lives are as follows:

Buildings	XX to XX years
Water systems	XX to XX years
Sewer systems	XX to XX years
Vehicles	X to X years
Equipment	X to X years

Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Local Governmental Unit's governmental funds is recorded as an expenditure and liability in the respective funds. The long-term portion is recorded in the general long-term debt account group. The amounts attributable to proprietary funds and similar component units are charged to expense and a corresponding liability in the applicable fund. Employees may accumulate a maximum of XX days of vacation leave and are paid for unused sick leave upon termination of employment.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

Contributed capital is recorded in proprietary funds for capital grants or contributions from customers or other funds. Reserves of fund equity represent portions of fund equity not appropriated for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. See Footnote 14 for details of fund equity.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts and are not reflected as expenditures in the combined financial statements. Encumbrances outstanding at year end have been reflected as reservations in the appropriate fund. Generally, amounts reflected as encumbrances at year end are reappropriated by the Local Governmental Unit=s Council (board) in the next fiscal year.

Total Column on Combined Statements--Overview

The total column on the combined statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimated.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiscal Year Ends Other Than December 31, 19XX

The financial information presented in this report is for the year ended December 31, 19XX, except for the Commission on Aging Fund (a special revenue fund), which is for the fiscal year ended September 30, 19XX as authorized by board of commissioner's resolution in accordance with MCL 400.571.

(Informational Note: In addition to a description of the basis of presentation and basis of accounting noted above, the following additional items should be described as elements of the significant accounting policies:

- * Restricted assets (nature of restricted assets, reasons for restriction, etc.
- * Changes in accounting principles)

NOTE 2 - LEGAL COMPLIANCE

Budget Information

The annual budget is prepared by the Local Governmental Unit's management and adopted by the Unit's Council (board); subsequent amendments are approved by the Unit's Council (board). The annual operating budget has been prepared in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at year end have been reflected as reservations of fund balance in the applicable funds. During the current year, the budget was (not) amended in a legally permissible manner.

[Informational Note: Other matters that should be discussed involving the budget preparation include: timing of the budget preparation; legal level of control over budgetary operations (line item, activity, departmental, fund, etc.); whether management has the ability to amend the budget and if so, to what extent; and other matters deemed pertinent to the reader's needs to demonstrate that the Local Governmental Unit has or has not complied with its legal obligations relating to the preparation and maintenance of an operating budget in Michigan.]

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 2 - LEGAL COMPLIANCE (Continued)

If encumbrances are included as expenditures or if the budget has been prepared on a basis other than generally accepted accounting principles, an explanation of the differences will be necessary. Also a reconciliation between the governmental fund type operating--actual and budget/actual statements is needed. See the subsequent note on reconciliation of budgetary information. If applicable, the following reconciliation should be presented for transactions treated differently for budgetary purposes (or omissions of funds that should be budgeted):

The annual operating budget has generally been prepared in accordance with generally accepted accounting principles, with the following exceptions:

- * Encumbrances have been reported as expenditures in the budget.
- * Operating budgets for the following special revenue funds have not been prepared:
 _____ Fund and _____ Fund.

Following is a reconciliation of the combined statement of revenue, expenditures, and changes in fund balances--budget and actual (Non-GAAP), referenced as "budget statement," to the combined statement of revenue, expenditures and changes in fund balances--all governmental fund types, referenced as "operating statement."

	<u>General Fund</u>	<u>Special Revenue Funds</u>
Amounts Per Budget Statement--19XX		
Encumbrances Included in Above		
Omitted Funds From Budget		
ABC Fund		
CDE Fund		
	_____	_____
Amounts Per Operating Statement--19XX	<u>\$ _____</u>	<u>\$ _____</u>

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 2 - LEGAL COMPLIANCE (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.), provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Local Governmental Unit's actual expenditures and budgeted expenditures for the funds budgeted have been shown on a functional basis. The approved budgets of the Local Governmental Unit for these budgeted funds were adopted to the (functional, activity, departmental, line item, etc.) level.

During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriated</u>	<u>Expended</u>	<u>Variance</u>
General Fund	\$	\$	\$
Major Street			
Local Street			

[Informational Note: The above note will fulfill the requirements for adequate disclosure under generally accepted accounting principles - GASB Codification 1200.112 and 2400.105. However, for reporting on noncompliance with the Uniform Budgeting and Accounting Act, more detailed information may be provided in an expanded note or in the comments and recommendations letter. Also, disclosure should indicate if corrections have been made in subsequent years.]

For financial statement purposes, the actual expenditures and expenditures for budgeted funds are shown at the broad level (functional), while note disclosure, or disclosure in the comments and recommendations letter which relates to over expenditures as a noncompliance matter, should indicate the over expenditures to the level of the adopted budget (functional, activity, line item, etc.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 2 - LEGAL COMPLIANCE (Continued)

Accumulated Fund Deficits

The Local Governmental Unit has accumulated fund balance/retained earning deficits in the following individual funds:

<u>Funds</u>	<u>Deficit</u>
General	\$
Local Street	
Capital Projects	
Water	

Public Act 275 of 1980 (MCL 141.921) requires that the Local Governmental Unit file a deficit elimination plan to the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. The Local Governmental Unit has not filed the required plan. The Unit feels the following addresses the deficits and will be filing the plans shortly:

- General Fund--The General Fund budget for the next fiscal year takes into account the reported deficit and is balanced.
- Local Street Fund--The Local Street Fund is to receive an additional appropriation from the General Fund and both funds' budgets have been amended to reflect this increase.
- Capital Projects Fund--The special assessment bond ordinances includes provisions for the General Fund to make up any shortcomings in assessments. Assessments are expected to be collected over the next several years and should be sufficient to resolve the current year fund balance deficit.
- Water Fund--The water rates have been increased by council (board) action and the deficit is projected to be eliminated over the next two years.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 2 - LEGAL COMPLIANCE (Continued)

Legal Noncompliance/Violation of Finance Related Provision

The Local Governmental Unit has not provided for the funding of the Bond Retirement Reserve account for the Water Fund as of December 31, 19XX. In addition, no provision has been made for an appropriation of retained earnings in the same amount. Both of these items are a requirement of the Water Department Revenue Bond Ordinance of 19XX, Section 10. As of December 31, 19XX, the bond ordinance required the sum of \$XX,XXX to be included in the above account and related reserve.

[Informational Note: Violations of local governmental unit charters or ordinances may spell out legal funding requirements. Any violations of these requirements must be disclosed. Recent amendments to PA 20 of 1943 (MCL 129.91 et seq.) require the governmental unit's legislative body to formally approve investment policies to conform to this public act.]

The following items would be violations of an order issued under the Municipal Finance Act, PA 202 of 1943, as amended, (MCL 131.1 through MCL 139.3) or its requirements and should be reported in the notes to the financial statements. Violations of an order issued under the Emergency Municipal Loan Act, PA 243 of 1980, as amended, (MCL 141.931 through MCL 141.942) should also be reported in the notes to the financial statements:

- 1) Commingling of debt service funds
- 2) Loans obtained by the local unit without Department of Treasury approval
- 3) Interfund borrowing of debt service money
- 4) Failure to set aside money as required by a Tax Anticipation Note or State Revenue Sharing Notes
- 5) Use of debt service money for other than debt service payments
- 6) Excess tax levies for the debt service purposes
- 7) Transfer of excess debt funds to the local unit's operating funds

Other Areas of Noncompliance:

- 1) Failure to establish or maintain the Uniform Chart of Accounts in a formal accounting system in accordance with PA 2 of 1968, as amended, (MCL 141.421)
- 2) Noncompliance with the budgeting act as required by PA 2 of 1968, as amended, (MCL 141.421 through MCL 141.440a)
- 3) Failure to adopt and follow a credit card policy as required by PA 266 of 1995 (MCL 129.241 through MCL 129.247)
- 4) Failure to adopt an investment policy in accordance with PA 20 of 1943, as amended, (MCL 129.95)]

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 3 - DEPOSITS AND INVESTMENTS

The Local Governmental Unit's deposits and investments are presented on the balance sheet under the following categories:

Cash and Cash Equivalents	\$
Investments	
Restricted Assets	
Investments With Deferred Compensation Plan Administrator	_____
Total	<u>\$</u>

(Informational Note: See discussion contained in Footnote 9 for recently issued GASB Statements covering Deferred Compensation Plans. Recent amendments to PA 20 of 1943 requires the governmental unit's legislative body to formally approve investment policies to conform to this public act.)

The above amounts are classified by GASB Statement No. 3 in the following categories:

Bank Deposits (Checking Accounts, Savings Accounts, and Certificates of Deposit)	\$
Investments in Securities, Mutual Funds and Similar Vehicles	
Petty Cash and Cash on Hand	_____
	<u>\$</u>

Michigan Compiled Laws, Section 129.91, authorizes the Local Governmental Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The Local Governmental Unit Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit retirement system's investments are held in trust by the investment fiduciary, Local Bank. Michigan Compiled Laws, Section 38.1132, authorizes the Local Unit retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Local Governmental Unit's deposits and investments are in accordance with statutory authority. The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>		<u>Total</u>
	<u>Primary Government</u>	<u>Component Unit</u>	
Total Deposits	<u>\$5,964,245</u>	<u>\$103,951</u>	<u>\$6,068,196</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>		<u>Total</u>
	<u>Primary Government</u>	<u>Component Unit</u>	
Insured (FDIC)	\$ 400,000	\$105,776	\$ 605,776
Uninsured and Uncollateralized	<u>5,788,423</u>		<u>5,788,423</u>
Total Deposits	<u>\$6,188,423</u>	<u>\$105,776</u>	<u>\$6,394,199</u>

The Local Governmental Unit's investments are categorized below to give an indication of the level of risk assumed by the entity. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Local Governmental Unit or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Local Governmental Unit's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Local Governmental Unit's name.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The GASB Statement No. 3 risk disclosures for the Local Governmental Unit's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized				
Operating Funds				
US Treasury Bonds				
GNMA				
Bankers' Acceptances				
FNMA				
Interest--Only Strips				
Pension Fund				
Stock				
Corporate Bonds				
Real Estate				
Total Risk-Categorized Investments	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Nonrisk-Categorized				
Insurance Mutual Fund				
Guaranteed Investment Contracts				
Annuity Contracts				
Mutual Funds				
Financial Institution Pooled Funds				
Total Investments				<u>\$</u>

The mutual funds, guaranteed investment contracts, and annuity contracts are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

[Informational Note: The above carrying amount is at fair market value as required by GASB Statement No. 31. The above investment table should be reconciled to the amounts presented within the general purpose financial statements.]

If "category 3" investments are significantly greater during the year than at the balance sheet date, the following additional note should be included:

Due to significantly higher cash flows at certain times during the year, the Local Governmental Unit's investments in (specify type of investment) significantly exceeded those balances at year end. As a result, the amounts that were in Category X at those times were substantially higher than at year end.]

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Component Units

The deposits and investments of the Local Governmental Unit's component units consist of bank deposits of \$XX,XXX and investments of \$XX,XXX. The deposits were reflected in the accounts of the bank at \$XX,XXX, which was fully covered by federal depository insurance. The investments of \$XX,XXX were in bank cash management funds (cost approximates market).

(Informational Note: Component Units' investments should be categorized as to risk and presented in a tabular format as presented above.)

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>01/01/19XX</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/19XX</u>
Land				
Buildings				
Equipment				
Construction in Progress				
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Construction in progress is composed of the following:

	<u>Project Authorization</u>	<u>Expended to 12/31/19XX</u>	<u>Committed</u>
Civic Center	\$	\$	\$
Mill Street Bridge			
Improvement District No. 80			

(Informational Note: If the amounts expended and committed to date exceed available funding, the required future funding sources in order to complete the project should be discussed.)

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 4 - FIXED ASSETS (Continued)

A summary of proprietary fund type fixed assets at December 31, 19XX follows:

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Land		
Water and Sewer Mains		
Buildings		
Equipment		
Motor Vehicles	_____	_____
Less: Accumulated Depreciation	_____	_____
Net Fixed Assets	<u>\$ _____</u>	<u>\$ _____</u>

NOTE 5 - LEASED PROPERTY UNDER CAPITAL LEASES

The Local Governmental Unit has elected to capitalize its long-term lease agreements with its Building Authority. These leases were for the public library and the recreation center. The amount of assets that are recorded in the general fixed assets account group at December 31, 19XX are as follows:

Library	
Recreation Center	_____
Total	<u>\$ _____</u>

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 5 - LEASED PROPERTY UNDER CAPITAL LEASES (Continued)

The following is a schedule, by year, of future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of December 31, 19XX:

	<u>Library</u>	<u>Recreation Center</u>	<u>Total</u>
19X1			
19X2			
19X3			
19X4			
19X5			
Thereafter	_____	_____	_____
Total Minimum Lease Payments			
Less: Amount Representing Interest and Lease	_____	_____	_____
Present Value of Lease Payments	<u>\$_____</u>	<u>\$_____</u>	<u>\$_____</u>

NOTE 6 - OPERATING LEASES

Commitments under noncancelable operating lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
19X1			
19X2			
19X3			
19X4			
19X5			
Thereafter	_____	_____	_____
Total	<u>\$_____</u>	<u>\$_____</u>	<u>\$_____</u>

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables for the primary government are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Friend of the Court	\$ 26,619	General Fund	\$ 26,619
General	3,000	Friend of the Court	3,000
Law Library	1,250	Penal Fines	1,250
Library	80,638	Penal Fines	80,638
Trust and Agency	22,075	Emergency Medical	22,075
		Bus	8,308*
Total	<u>\$133,582</u>	Total	<u>\$141,890</u>

The amounts of the interfund receivables and payables for the component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Primary Government		Component Unit	
Trust and Agency	\$ 32,941	Road Commission	\$ 32,941
General	15,693	Road Commission	15,693
Total	<u>48,634</u>	Total	<u>48,634</u>
Total Reporting Entity	<u>\$182,216</u>	Total Reporting Entity	<u>\$190,524</u>

Reconciliation

Bus System Fiscal Year
End is September 30 in
Which Differs From the
County.

8,308

\$190,524

\$190,524

- The Bus System is on different fiscal year end's resulting in the total Due From's exceeding the Due To's by \$8,308 in the financial statements.

(Informational Note: In the event that the combined totals of interfund receivables and payables are not equal to one another, the footnote should contain an explanation and/or reconciliation of the difference.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES (Continued)

The long-term advances recorded in the Local Governmental Unit's records represent cash working capital advances as follows:

<u>Fund</u>	<u>Advances To Other Funds</u>	<u>Fund</u>	<u>Advances From Other Funds</u>
Primary Government General Fund	\$ _____	Component Unit Drain Revolving Fund	\$ _____

The long-term advances are expected to be repaid in equal installments to the Local Governmental Unit's General Fund as special assessments are collected over the next X years.

NOTE 8 - LONG-TERM DEBT

The individual fund long-term debt and other general long-term obligations of the Local Governmental Unit and the changes therein, may be summarized as follows:

	<u>01/01/19X1</u>	<u>Additions (Reductions)</u>	<u>12/31/19X1</u>
<u>INTERNAL SERVICE FUNDS</u>			
Delinquent Tax Revolving Funds Delinquent Tax Notes, Series 19XX, maturing not later than June 1, 19X3. Notes are subject to redemption in whole or in each interest payment date. Interest payment dates are the 15th of each month commencing June 15, 19XX, with variable interest rates ranging from X.X% to the rate that is equal to X.X% plus the "LIBOR" rate as published in the <u>Wall Street Journal</u> .	\$ XXX,XXX	\$ (XXX,XXX)	\$XXX,XXX
Delinquent Tax Notes Series 19XX, maturing in 19XX, with an interest rate ranging from X.X% to X.X%.	<u>XXX,XXX</u>	<u>(XXX,XXX)</u>	<u>XXX,XXX</u>
Total Internal Service Funds	_____	_____	_____
<u>GENERAL LONG-TERM DEBT ACCOUNT GROUP</u>			
General Obligations bonds dated January 12, 19XX in the amount of \$XX.X million to finance an addition to the jail. Principal payments are due annually on December 15, with interest at X.X%.	XXX,XXX	(XXX,XXX)	XXX,XXX

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 8 - LONG-TERM DEBT (Continued)

	<u>01/01/19X1</u>	<u>Additions (Reductions)</u>	<u>12/31/19X1</u>
Capital equipment lease dated January 31, 19XX, with equal monthly installments of \$X,XXX and an interest rate of X.X%.	XX,XXX	(XX,XXX)	XX,XXX
Compensated Absences--Sick Leave and Vacation	<u>XX,XXX</u>	<u>X,XXX</u>	<u>XX,XXX</u>
Total General Long-Term Debt Account Group	<u>XX,XXX</u>	<u>X,XXX</u>	<u>XX,XXX</u>
<u>DISCRETE COMPONENT UNIT</u>			
Bonds payable--The Road Commission issued \$X.X million of bonds dated May 15, 19XX to finance the repair of certain local roads within the Local Governmental Unit. Principal payments are due annually on June 1 with interest ranging from X.X% to X.X% payable on June 1 and November 1. The bonds are payable from State transportation distributions under PA 51.	XX,XXX	(XX,XXX)	XX,XXX
Compensated Absences--Sick Leave and Vacation	<u>XX,XXX</u>	<u>X,XXX</u>	<u>XX,XXX</u>
Total Discrete Component Unit	<u> </u>	<u> </u>	<u> </u>
Total Long-Term Debt Outstanding at December 31, 19XX	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

The annual principal and interest requirements through maturity for all bonded debts outstanding as of December 31, 19XX are as follows:

<u>Year</u>	<u>Primary Government</u>		<u>Component Unit</u>	<u>Total</u>
	<u>Internal Service Fund</u>	<u>General Obligations</u>		
19X1				
19X2				
19X3				
19X4				
19X5				
19X6-19X9	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less--Interest	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 8 - LONG-TERM DEBT (Continued)

(Informational Note: The above maturity table should be presented in sufficient detail to identify the maturities of individual bond issues through to maturity. Information to be presented relating to the bond issue includes, but is not limited to the interest rates, principal payments, year of maturity, and etc. Alternatively, the Local Governmental Unit can present maturities in a summarized format as noted above with details provided in schedules of indebtedness.)

Accrued Vacation and Sick Leave Payable

The Local Governmental Unit and its component unit have accrued liabilities for accumulated vested vacation and sick leave. Sick leave benefits represent only that amount that would be payable should an employee retire. Sick leave and vacation pay are earned in varying amounts depending upon years of service and whether the employee is in a bargaining group. Vacation pay is payable upon termination, and 50% of accrued sick leave is payable to employees having up to a maximum of 180 days of credited service. The sick leave of the District Health Department, a component unit of the Local Governmental Unit, does not vest and accordingly, no amounts are paid upon termination of employment.

Capitalized Interest

Total interest incurred for the Enterprise Fund of the Local Governmental Unit for the year approximated \$XX,XXX, of which \$X,XXX was capitalized.

Defeased Debt--Current Year

During the year, the Local Governmental Unit issued \$XX.X million in general obligation (revenue) bonds with an average interest rate of X.X%. The proceeds of these bonds were used to advance refund \$XX.X million of outstanding (specify) bonds with an average interest rate of X.X%. The net proceeds of \$XX.X million (after payment of \$XX,XXX in underwriting fees, insurance, and other issuance costs) plus an additional \$X.X million of ABC Fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the general long-term Debt account group. The advance refunding reduced total debt service payments over the next X years by approximately \$XXX,XXX, which represents an economic gain of approximately \$XXX,XXX.

(Informational Note: See GASB Codification, Section D20, for calculation of the economic gains on debt defeasances.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 8 - LONG-TERM DEBT (Continued)

Defeased Debt--Prior Year

In prior years, the Local Governmental Unit defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At December 31, 19XX, \$XX.X million of bonds outstanding are considered defeased.

No Commitment Debt

Excluded from the general long-term debt account group are bonds issued under the Industrial Development Revenue Bond Act, PA 62 of 1963, as amended, (MCL 125.1251 through MCL 125.1267), which authorizes municipalities to acquire and lease industrial sites, buildings and equipment. Also excluded are revenue bonds issued by the Economic Development Corporation issued to acquire and lease property to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the Local Governmental Unit. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the Local Governmental Unit's financial statements. As of the balance sheet date, there were ____ series of such bonds outstanding, with an aggregate principal outstanding of approximately \$XX.X million. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source.

NOTE 9 - DEFERRED COMPENSATION PLAN

The Local Governmental Unit offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Local Governmental Unit) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Local Unit of Government's financial statements.

LOCAL GOVERNMENTAL UNIT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 19XX

NOTE 9 - DEFERRED COMPENSATION PLAN (Continued)

(Informational Note: The GASB recently issued Statement No. 32 entitled *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, dated October 1997 (effective for financial statements for periods beginning after December 31, 1998. If a government complies with the requirements of subsection (g) of IRC Section 457 in an earlier period, application of this statement is required for the financial reporting period in which compliance occurs). Paragraph 1 of Statement No. 32 indicates that new plans beyond August 20, 1996 will not be considered to be eligible plans under IRC 457 "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries."

Plans which meet the criteria in GASB Codification Section 1300.104 (c) for inclusion in fiduciary funds of a government should be reported as an expendable trust fund in the financial statements of that government--GASB No. 32, paragraph 4. The note must include identification and description of the plan, accounting policy, asset valuation and reporting in the cash and investment note for the plan assets.)

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

(Informational Note: Due to the complexity of the required disclosures for defined benefit and defined contribution plans, care must be taken to thoroughly read and understand GASB Statement Nos. 25, 26, and 27. Consideration should be given to acquiring the publication entitled: *Implementation Guide: Guide to Implementation of GASB Statement Nos. 25, 26, and 27 on Pension Reporting and Disclosure by State and Local Government Plans and Employers - Questions and Answers*. The below footnotes do not represent all of the potential reporting presentations that exist. Rather they are intended to cover the principal, known pension plan presentations under the following circumstances - choose one or more that fit your situation):

- A) Defined Benefit Pension Plan - A single employer plan that is reported within the CAFR. This footnote assumes that there is no separately issued pension financial statements. For illustration purposes, a typical police and fire pension plan has been used.
- B) Defined Benefit Pension Plan - A single employer plan that is reported in the footnotes of a CAFR AND in a SEPARATELY ISSUED pension financial statements. The footnote presented herein represents the abbreviated footnote that is required to be included in a CAFR. Example A and Example B are mutually exclusive - use one or the other, as appropriate.
- C) Michigan Municipal Employees' Retirement System (MERS) - This would be a typical presentation in the event that the local government uses MERS as their pension plan.
- D) Defined Contribution Plan - A typical defined contribution pension plan footnote has been included.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Defined Benefit Plan (Single Employer--No Separately Issued PERS)

Plan Description--The Local Governmental Unit's Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the Local Governmental Unit Police and Fire Employees Retirement System (plan administrator). This plan covers XX police and fire employees (specify covered group and number of employees covered). The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At _____, 199_, the date of the most recent actuarial valuation, membership consisted of _____ retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and ____ current active employees. The plan does not issue a separate financial report.

Contributions--Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiations with the Local Governmental Unit's competitive bargaining units and requires a contribution from the employees of ____ (____%) percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost--For the year ended _____, 199_, the Local Governmental Unit's annual pension cost of \$_____ for the plan was equal to the Local Governmental Unit's required and actual contribution. **(Informational Note: if there is a Net Pension Obligation (NPO), modify previous sentence and provide a schedule of the current year change in NPO).** The annual required contribution was determined as part of an actuarial valuation at June 30, 199_, using the _____ (cite method - entry actual age, for example) cost method. Significant actuarial assumptions used include: (i) a _____ investment rate of return; (ii) projected salary increases of ____ (____%) percent per year; and (iii) ____ (____%) percent per year cost of living adjustments. Both (i) and (ii) include an inflation component of ____ (____%) percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is ____ years.

(Informational Note: If there is no NPO, a statement asserting that fact is required.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Reserves--As of June 30, 199_, the plan's legally required reserves have been fully funded as follows:

Reserve for Employees' Contributions	\$
Reserve for Retired Benefit Payments	

Six year trend information as of June 30th as follows:

	<u>19X1</u>	<u>19X2</u>	<u>19X3</u>	<u>19X4</u>	<u>19X5</u>	<u>19X6</u>
Annual Pension Cost	\$	\$	\$	\$	\$	\$
Percentage of APC Contributed						
Net Pension Obligation						
Actuarial Value of Assets						
Actuarial Accrued Liability						
Unfunded AAL						
Funded Ratio						
Covered Payroll						
UAAL as a Percentage of Covered Payroll						

(Informational Note: Trend information is required supplementary information. If the information is not contained in the footnotes, it can be presented as an attachment to the general purpose financial statements after the footnotes.)

Defined Benefit Pension Plan (Single Employer Plan, With Separately--Issued PERS)

Plan Description--The Local Governmental Unit's Police and Fire Plan is a single-employer defined benefit pension plan that is administered by the Local Governmental Unit Police and Fire Employees Retirement System (specify the plan administrator). This plan covers XX police and fire employees (specify covered group and number of employees covered). The system provides retirement, disability and death benefits to plan members and their beneficiaries. At _____, 199_, the date of the most recent actuarial valuation, membership consisted of _____ retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and ____ current active employees.

The plan issues a publicly available financial report that includes financial statements and required supplementary information for the system. The report may be obtained by writing to the system at: (insert address).

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Funding Policy--The obligation to contribute to and maintain the system for these employees was established by negotiations with the Local Funding Unit's competitive bargaining units and requires a contribution from the employees of ___ (%) percent of gross wages. The funding policy provides for periodic employer contributions at actuarially determined rates; the current rate is ___ (%) percent of covered payroll.

Annual Pension Cost--For the year ended _____, 199_, the Local Governmental Unit's annual pension cost of \$_____ for the plan was equal to the Local Governmental Unit's required and actual contribution. (Information Note: If there is a NPO, modify previous sentence and provide a schedule of the current year change in NPO.) The annual required contribution was determined as part of an actuarial valuation at June 30, 199_, using the _____ (cite the cost method used; entry actual age, for example) cost method. Significant actuarial assumptions used include: (i) _____ investment rate of return; (ii) projected salary increases of _____ (%) percent per year; and (iii) _____ (%) percent per year cost of living adjustments. Both (i) and (ii) include an inflation component of _____ (%) percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 11 years.

(Informational Note: If there is no NPO, a statement asserting that fact is required.)

Reserves--As of June 30, 199_, the plan's legally required reserves have been fully funded as follows:

Reserve for Employees' Contributions	\$
Reserve for Retired Benefit Payments	

Three year trend information as of June 30 (should be reported as of the actuarial date) follows:

	<u>19X1</u>	<u>19X2</u>	<u>19X3</u>
Annual Pension Cost	\$	\$	\$
Percentage of APC Contributed			
Net Pension Obligation			

(Informational Note: There is no required supplementary information.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description--The Local Governmental Unit participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Local Governmental Unit. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: (insert address).

Funding Policy--The obligation to contribute to and maintain the system for these employees was established by negotiations with the Local Governmental Unit's competitive bargaining units and requires a contribution from the employees of ____ (%) percent and ____ (%) percent of gross wages for General and Police and Fire employees, respectively.

Annual Pension Costs--For year ended, 199_, the Local Governmental Unit's annual pension cost of \$_____ for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 199_, using the _____ (cite the cost method, such as entry actual age) cost method. Significant actuarial assumptions used include: (i) a _____ investment rate of return; (ii) projected salary increases of ____ (%) percent per year; and (iii) ____ (%) percent per year cost of living adjustments. Both determined using techniques that smooth the effects of short-term volatility over a four year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is _____ years.

Three year trend information as of June 30 (should be as of the date of the actuaries report) follows:

	<u>19X1</u>	<u>19X2</u>	<u>19X3</u>
Annual Pension Cost	\$	\$	\$
Percentage of APC Contributed			
Net Pension Obligation			
Actuarial Value of Assets			
Actuarial Accrued Liability			
Unfunded AAL			
Funded Ratio			
Covered Payroll			
UAAL as a Percentage of Covered Payroll			

(Informational Note: Alternatively, the above three year trend information could be presented in a required supplementary information schedule.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Defined Contribution Pension Plan

The Local Governmental Unit provides pension benefits to all of its full-time employees (or specific employee group, if applicable) through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by _____ (authority under which the pension obligation is established), the Local Governmental Unit contributes _____ (%) percent of employees gross earnings and employee contribute _____ (%) percent of earnings.

In accordance with these requirements, the Local unit of government contributed \$_____ during the current year and employee contributed \$_____.

Post-employment Benefits

In addition to providing pension benefits, the Local Governmental Unit has elected to provide post-employment health benefits to retirees of the Unit who participate in either of the Unit's two retirement systems and have at least XX years of creditable service. The Local Governmental Unit pays the full cost of coverage for these benefits. Also, retirees can purchase coverage for their dependents at the Local Governmental Unit's group rates. Currently, XX retirees are eligible for post-employment health benefits. For the fiscal year ended December 31, 19XX, the Local Governmental Unit made payments for post-employment health benefit premiums of \$XX,XXX. The Local Governmental Unit obtains health care coverage through private insurers.

(Informational Note: The above footnote example reflects a "pay-as-you-go" approach to the funding of other post-employment benefits. Should the local governmental unit fund the post-employment benefits in a manner similar to that of a pension plan, footnote disclosures similar to a pension plan would be required. Refer to the appropriate GASB disclosures requirements under these circumstances.)

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 11 - CONTINGENT LIABILITIES - GENERAL FUND

An audit of the Local Governmental Unit Job Training Partnership Act (JTPA) program for the period August 1, 19X1 to June 30, 19X2 was performed by another certified public accountant. The audit disclosed approximately \$X.X million in questioned costs. Subsequent investigation reduced the amount to approximately \$XX,XXX. Costs incurred July 1, 19X1 through September 30, 19X3 were also audited by another certified public accountant. The audit disclosed approximately \$X.X million in questioned costs. The amount has subsequently been reduced to \$XX,XXX. The final determination of the questioned costs is subject to the acceptance of project costs by the granting agency. To the extent that costs are disallowed by the granting agency, the Local Governmental Unit's General Fund would be required to reimburse the grant funds. Management believes that disallowed costs, if any, would be immaterial at the time that these audits are finalized and closed out.

The Local Governmental Unit has a contingent liability of \$X.X million resulting from its full faith and credit pledge supporting the special assessment bonds outstanding.

The Local Governmental Unit is a defendant in various legal actions in which plaintiffs seek damages of indeterminable amounts, which may exceed insurance coverage where applicable.

Litigation is subject to many uncertainties, and the outcome of individual matters cannot be predicted. Accordingly, a reasonable range of liability to the Local Governmental Unit pertaining to these matters cannot be determined.

(Informational Note: if a range can be determined, it should be stated. Management has taken steps to protect the Local Governmental Unit and believes any liability resulting from cases in which it is involved will not materially affect its financial position.)

NOTE 12 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The Local Governmental Unit maintains and operates the ABC Landfill, which operations are presented in an enterprise fund. State and Federal laws and regulations require the Local Governmental Unit to place a final cover on its central refuse landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Local Governmental Unit reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 12 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (Continued)

The landfill closure and post-closure care liability of \$X.X million at December 31, 19X1 represented the cumulative amount reported to date based on the use of 45% of the estimated capacity of the currently constructed cells at the landfill. This amount is based on what it would cost to perform all closure and post-closure care in 19X1. Actual costs may be higher because of inflation, changes in technology, or changes in regulations. The estimated total costs of closure and post-closure care remaining to be recognized at December 31, 19X1 is \$X.X million. These costs will be incurred over the estimated remaining life of the portion of the landfill currently in use, which is expected to be five to ten years.

NOTE 13 - RISK MANAGEMENT

The Local Governmental Unit is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation), as well as medical benefits provided to employees. The Local Governmental Unit has purchased commercial insurance for (specify types of insurance) claims, and participates in the ABC, Inc. risk pool for claims relating to (specify); the Local Governmental Unit is uninsured for (specify) claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

(Informational Note: If coverage has been significantly reduced from the prior year, describe the reduction. If there has been any significant payments of claims in excess of insured amounts, the transaction should be discussed.)

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which uses them to pay claims up to the retention limits, the ultimate liability for those claims remains with the Local Governmental Unit.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 13 - RISK MANAGEMENT (Continued)

The Michigan Townships' Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

For risk retention situations (other than commercial coverage or risk-sharing pools):

The Local Governmental Unit estimates the liability for (specify) claims that have been incurred through the end of the fiscal year, including both these claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the general long-term debt account group (alternatively, in an internal service fund).

(Informational Note: If these amounts have been discounted to value at present value, provide the discount rate used; if the liability has been reduced to purchases annuity contracts, disclose this fact as well.)

Changes in the estimated liability for the past two fiscal years were as follows:

	<u>19X1</u>	<u>19X2</u>
Estimated Liability--Beginning of Year		
Estimated Claims Incurred, Including		
Changes in Estimates		
Claims Paid		
Estimated Liability--End of Year	<u>\$</u>	<u>\$</u>

NOTE 14 - EQUITY

Contributed Capital

If applicable: Contributed capital represents retained earnings of the (specify) Fund(s) from the inception of the system to December 31, 19XX. The amounts attributable to each of these separate sources cannot be determined at this time. The retained earnings of the (specify) Fund(s) reflects the retained earnings (operating deficits) since _____, 19__.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 14 - EQUITY (Continued)

The following is an analysis of contributed capital by source:

	<u>Balance at</u> <u>01/01/19X1</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Amortization</u>	<u>Balance at</u> <u>12/31/19X1</u>
Capital Contributed From All Sources Prior to _____, 19XX				
Capital Contributed Since _____, 19X1 by Source				
Landfill Fund				
Water Fund				
Sewer Fund				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

Reserved and Designated Fund Balances

Fund balances have been reserved for the following purposes:

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Funds</u>	<u>Debt</u> <u>Service</u> <u>Funds</u>	<u>Capital</u> <u>Project</u> <u>Funds</u>
Reserved				
Encumbrances				
Inventory and Prepayments				
Long-Term Advances				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Designated				
Capital Programs				
Subsequent Year Budget				
Deficit				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 15 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Local Governmental Unit maintains three enterprise funds that provide water and sewer, landfill and airport services. Segment information for the year ended December 31, 19XX was as follows:

	<u>Water and Sewer</u>	<u>Landfill</u>	<u>Airport</u>	<u>Total</u>
Operating Revenue	\$	\$	\$	\$
Operating Income (Loss)				
Nonoperating Revenue (Expenses)				
Property Taxes				
Other				
Other Financing Sources (Uses)				
Operating Transfers In				
Operating Transfers (Out)				
Net Income (Loss)				
Current Year Capital Contributions				
Land, Buildings and Equipment				
Additions				
Deletions				
Depreciation Expense				
Net Working Capital				
Long-Term Debt				
Total Assets				
Equity				
Contributed Capital				
Retained Earnings (Deficit)				

NOTE 16 - SUBSEQUENT EVENTS

On March 3, 19X2, the Local Governmental Unit's Council (Board) approved the borrowing of \$X.X million in tax anticipation notes. The notes were issued March 15, 19X2 after Michigan Department of Treasury's approval. The notes are due January 31, 19X3 and bear interest at X.X%.

On March 31, 19X2, the Local Governmental Unit's Council (Board) approved the application for a \$X.X million loan from the State of Michigan under the provisions of Public Act 243 of 1980. The State of Michigan has not yet approved this loan.

On March 9, 19X2, the Local Governmental Unit's Council (Board) approved a fiscal recovery plan. Some of the provisions of the fiscal recovery plan are to: contract with a certified public accountant to act as financial consultants to the acting director of finance; contract with a management firm to act as management consultants; and establish a fifteen member citizens advisory committee.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLE

Change in Accounting Principle--Deferred Compensation Plan

The Local Governmental Unit offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. Effective January 1, 19XX, the assets of the plan transferred to a trust in a custodial account as described in IRS Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrator (PEBSCO) is agent of the employer for the purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer assets to or from the account and all other matters.

In prior years, the Deferred Compensation Fund was treated as an agency fund type in accordance with GASB Statement No. 2. During 19XX, the assets of the Deferred Compensation Fund were placed in a trust and reported in an expendable trust fund, in accordance with GASB Statement No. 32.

Change in Accounting Principle--Pension Plan

For the year ended December 31, 19XX, the Local Governmental Unit has adopted the Governmental Accounting Standards Board (GASB) Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*, No. 26, *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Pension Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employees*. GASB Statement No. 25 requires investments to be recorded at fair value. The Local Governmental Unit had previously recorded investments at cost or amortized cost. The effect of this change in accounting policy was to increase beginning fund balance reserved for employees pension benefits as follows:

	<u>Pension</u>	<u>Health Care</u>	<u>Total</u>
Fund Balance--December 31, 19XX	\$65,219,997	\$1,196,835	\$66,418,832
Accounting Change	<u>1,738,654</u>	<u>31,906</u>	<u>1,770,560</u>
Restated Fund Balance			
December 31, 19XX	<u>\$66,958,651</u>	<u>\$1,228,741</u>	<u>\$68,187,392</u>

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 18 - TRANSFERS IN AND TRANSFERS (OUT)

The 19XX operating transfers from Exhibits B and D can be summarized as follows for the primary government:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 13,093	\$455,356
Special Revenue	304,856	11,052
Internal Service	<u>138,571</u>	<u>40,111</u>
Total Primary Government	<u>\$456,520</u>	<u>\$506,520</u>

- The Commission on Aging's Special Revenue Fund, is on a different fiscal year end resulting in transfers in of \$50,000 less than the transfers (out).

The 19XX operating transfers from Exhibit B, D, and G can be summarized as follows for the component unit:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Component Unit		
Economic Development Corp	\$ 51,405	
Primary Government		
Debt Service Fund		\$ 35,659
Capital Project Fund		<u>15,746</u>
Total Component Unit	<u>51,405</u>	<u>51,405</u>
Total Reporting Entity	<u>\$507,925</u>	<u>\$557,925</u>

(Informational Note: Interfund transfers are the result of legally authorized transfers from a fund receiving revenue to the fund through which the resources are subject to be expended. If the "transfers in" do not equal the "transfers (out)," an explanatory note is required.)

NOTE 19 - RELATED PARTY TRANSACTIONS

The County Road Commission advertises for bids and has accepted bids for gravel hauling from Father & Sons. Father & Sons is owned and operated by the brother of a road commissioner. The Road Commission's policy is to accept the lowest bids, unless there are extenuating circumstances. During 19XX, a total of \$272,750 was paid to Father & Sons based on the acceptance of bids.

LOCAL GOVERNMENTAL UNIT
NOTES TO FINANCIAL STATEMENTS
December 31, 19XX

NOTE 19 - RELATED PARTY TRANSACTIONS (Continued)

ABC, Commissioner, is a principal owner of ABC Contracting. The Road Commission has awarded bid contracts to ABC Contracting based on advertised competitive bids. The amount paid during the year to ABC Contracting was \$150,000, there was an additional amount due of \$10,000, which was paid in the subsequent year. The total paid to ABC contracting was not material to the financial statements. Commissioner ABC abstained from voting during the awarding of bids to ABC Contracting. During the year, Commissioner ABC sold his share of the company. Disclosure of the related party transaction can be found in the board minutes.

(Informational Note: FASB General Standards R36.102 states, "Financial statements shall include disclosures of material related party transactions, other than compensation arrangements, expense allowances and similar items in the ordinary course of business. However, disclosure of transactions that are eliminated in the preparation of combined financial statements is not required in those statements.")

Required note disclosures are as follows:

- 1) The nature of the relationship(s) involved;
- 2) A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, and other such information deemed necessary to an understanding of the effects of the transactions on the financial statements;
- 3) The dollar amount of transactions; and
- 4) Amounts due from or to related parties as of the date of each balance sheet presented, if not otherwise apparent, the terms and manner of settlement.)

NOTE 20 - COMMITMENTS

As of December 31, 19XX, the Sample County Board of Road Commissioners have commitments for equipment in the amount of \$312,255. The equipment commitments consist of 3 tandem International Paystar 500 trucks totaling \$204,456 and 3 various types of dump bodies totaling \$107,799. At December 31, 19XX the dump bodies were available, but not yet received because the trucks were not fully assembled and would not be ready until February or March 19XX. The Road Commission had sufficient local amounts to cover these commitments.

LOCAL GOVERNMENTAL UNIT
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 19XX

YEAR 2000 ISSUES

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1 entitled, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, require the Local Governmental Unit to make disclosures in the notes to the financial statements about its readiness in addressing year 2000 issues for its computer systems and other electronic equipment. In March 1999, GASB issued an amended Technical Bulletin 99-1 allowing disclosure of year 2000 issues in required supplementary information or in the notes to the financial statements. Retroactive application was allowed.

The year 2000 issue is the result of shortcomings in the manner in which "year" information is stored and interpreted by many electronic data processing systems and other electronic equipment. The year 2000 issue refers to the fact that many computer programs use only the last two digits to refer to a year. Therefore, both 1900 and 2000 would be referred to as "00." Computer programs have to be adjusted to recognize the difference between those two years or the programs will fail or create errors. Also, some programs may not be able to recognize that 2000 is a leap year. Further, the year 2000 issue could affect electronic equipment such as vehicles, containing computer chips that have date recognition functions.

Operations may be adversely affected if critical systems and equipment are not made year 2000 compliant. The year 2000 issue will impact not only internal operations, but also interactions with external parties such as other governmental entities and critical vendors.

The Local Governmental Unit has identified the computer systems and electronic equipment that are critical to its operations and the following is a summary of progress towards achieving year 2000 compliance.

- The Local Governmental Unit has completed all stages of work related to the systems, and management considers these systems to be year 2000 compliant.
- The Local Governmental Unit has completed remediation of the _____ systems, and will begin validation and testing of the systems during the upcoming year.
- The Local Governmental Unit has completed the assessment of the _____ systems, and is currently remediating these systems. Once remediation is completed, we will validate and test the systems.

LOCAL GOVERNMENTAL UNIT
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 19XX

YEAR 2000 ISSUES (Continued)

As of year end, the Local Governmental Unit is contractually committed to spend approximately \$_____ to make critical computer systems and equipment year 2000 compliant.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Local Governmental Unit is or will be year 2000 ready or that its remediation efforts will be successful in whole or in part. However, management believes that it has instituted a plan to minimize the impact that year 2000 issue may have on critical operations.